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SUBJECT: SCENESETTER FOR CODEL MARTINEZ

1. (SBU) SUMMARY: My staff and I are delighted to welcome you and your delegation to Morocco. Your visit will help underscore the importance of our relations with Morocco. Morocco is a paragon of reform in the region and relations are so strong that it has been designated a "major, non-NATO ally." The country conducted parliamentary elections on September 7th, the second in King Mohammed VI's eight year reign and the first since 2002. They were widely hailed as the most free and transparent in Morocco's history and were certified by a team of international observers under the auspices of the National Democratic Institute. Morocco is also engaged in negotiations under U.N. auspices on the future of the Western Sahara, which we support. It is also increasingly focused on the terrorist threat in North Africa and went on maximum alert against that threat earlier this summer. END SUMMARY.

2. (U) WESTERN SAHARA: Bilaterally, your visit comes on the eve of the third round of talks between Morocco and the POLISARIO under United Nations auspices. The so-called Manhasset process represents an opportunity for the two parties to engage in a meaningful dialogue that will hopefully lead to a resolution of the Western Sahara conflict.

3. (U) MILLENNIUM CHALLENGE ACCOUNT: You are also visiting Morocco as the implementing legislation for the recently signed Millennium Challenge Account Compact is being finalized. The Compact represents a significant expansion of U.S. assistance to Morocco, focused on key areas including agriculture, small-scale fisheries, artisan crafts, financial services and enterprise support. This support will build on previous USAID successes in micro-credit and agriculture, but will also bring U.S. assistance into new areas.

4. (SBU) POLITICAL AND ECONOMIC REFORM: Morocco has made impressive political and economic strides in recent years, including liberalization of its trade relations with the United States and other countries. Our bilateral free trade agreement entered into force in January 2006, and brought a 44 percent increase in bilateral trade in its first year. King Mohammed VI rules as well as reigns. He has championed significant political reforms, including relative freedom of expression, advances on human rights, and the 2004 family law (or "moudawana"), which has significantly enhanced the rights of women. Partly as a result of this reform record, the current form of government retains support across the political spectrum.

5. (SBU) CHALLENGES: Nonetheless, Morocco continues to face serious challenges. Illiteracy and joblessness remain high, and while economic growth has accelerated (averaging 5.4 percent from 1999 to 2006), it has not yet achieved the level needed to absorb new entrants to the labor force or to reduce poverty. Frustration over the lack of employment opportunities, the government's inability to respond fully to educational and health needs, and endemic corruption, have broadened the appeal of Islamic-oriented parties and non-governmental organizations.

6. (SBU) The September 7 elections, while representing significant progress in terms of governmental conduct of elections, highlighted a fundamental lack of popular confidence in the political system. Sixty three percent of registered voters did not vote. Among the 37 percent who did vote, approximately one fifth cast blank or spoiled protest ballots. The nationalist Istiqlal party won less than a fifth of the votes, slightly ahead of the Islamist Party of Justice and Development, but emerged as the largest bloc in the new parliament. The current government is made up of a minority coalition headed by Istiqlal Prime Minister Abbas El-Fassi.

7. (SBU) TERRORISM: Popular frustrations, combined with satellite television from the rest of the Arab world, have strengthened a dangerous terrorist fringe, as reflected in the April bombings in Casablanca that targeted the U. S. Consulate and Cultural Center, among other targets. In the face of this threat, U.S.-Moroccan counterterrorism cooperation has been excellent, as is reflected in the recent visits to Rabat of APHSCCT Frances Townsend, FBI Director Mueller, and CIA Director Hayden. The U.S. finds in Morocco a capable and active partner in the war against terror. Morocco pursues an interdisciplinary approach in confronting the threat, seeking to address the economic marginalization of youth and refute extremist ideology by propagating Islamic messages of tolerance and moderation, while at the same time pursuing vigorous law enforcement and intelligence operations against specific terror cells. It has acknowledged over the past year the importance of protecting human rights during the pursuit of counterterrorism efforts.

18. (SBU) Our Mission Strategic Plan also adopts this holistic approach, seeking on the one hand to sustain and expand counterterrorism efforts in Morocco through continued diplomatic, law enforcement and military cooperation, while on the other supporting the country's ongoing social, economic, and political reforms that directly address the conditions that create extremism.

19. (U) U.S. FOREIGN ASSISTANCE: Morocco received over USD 35 million in U.S. foreign assistance in FY07, approximately half of which will be for activities under peace and security with expenditures under IMET, INCLE, NADR and FMF. USD 18.9 million will be spent to address Morocco's ongoing development challenges through USAID with programs in economic growth, education/workforce development and democracy/governance. Additional funding from Washington of approximately USD 2 million annually is made available through the Middle East Partnership Initiative for advancing the Freedom Agenda and occasionally through other agencies, as well.

10. (U) The USD 700 million, five-year MCA Compact represents a significant increase in U.S. assistance that will potentially have a profound impact on Morocco's prospects for economic growth, especially in agriculture, fisheries and traditional crafts. However, Development Assistance (DA) and Economic Support Funds (ESF) are looked to in order to underwrite an assistance response that is complementary to the investment being made by the USG through the Millennium Challenge Corporation.

11. (U) That complementary assistance looks to the needs of the two-thirds of the 30 million Moroccans who are under age 30. This population bulge, a result of rapid population growth in the 1970s and 1980s, has led to significant challenges. Joblessness, underemployment, poor education, and the inability of government to meet citizens' needs are sources of alienation, radicalization, and extremism that underpin a continuing terrorist threat.

12. (U) U.S. economic and development assistance is necessary to continue to focus on three priorities: education, economic growth, and democratic governance. U.S. assistance for peace and security should include FMF at adequate levels to sustain a large stock of U.S.-origin equipment while continuing strong military to military partnership with Morocco, a major non-NATO ally. This will enhance the professionalism and skills of Moroccan military personnel, improve Morocco's ability to control its borders, and build upon the Moroccan military's contributions to international peacekeeping efforts and the global war on terror.

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